IGB REIT (IGBREIT MK)

1Q26: In Line; Declares Dividend Of 4 Sen (+25% Yoy)

HOLD (Maintained)	
Share Price	RM2.83
Target Price	RM2.69
Upside	-4.9%
Previous TP	RM2.61

Analyst(s)
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Highlights

- 1Q26 results were within our expectations, given a typical strong season and an expected higher tariff cost in the coming quarters.
- Overall tenant sales in Apr 26 so far were not as bad as feared. We also expect the solid sales momentum in luxury segment to continue holding up.
- Maintain HOLD with higher target price of RM2.69 as we adjust our DPU forecast upwards by 2-3%. Our HOLD rating reflects its compressed yield (4.9% for 2026F) and yield spread at 132bps (0.5SD below historical mean).

1Q26 Results

Year to 31 Dec (RMm)	1Q26 (RMm)	4Q25 (RMm)	1Q25 (RMm)	qoq % chg	yoy % chg
Revenue	261.3	208.3	171.4	25.4	52.4
Property Expenses	(54.3)	(52.6)	(38.3)	3.2	41.7
Net Property Income	207.0	155.7	133.1	33.0	55.5
Other Income	71.3	56.6	46.0	25.9	55.0
Trust Expenses	(18.7)	(15.0)	(11.3)	24.3	65.8
Finance Costs	(23.0)	(18.1)	(13.3)	26.8	72.5
Core Net Profit	168.8	125.2	111.4	34.8	51.5
EPU (sen)	3.90	2.90	3.08	34.7	26.8
DPU (sen)	4.00	2.97	3.19	34.7	25.4
Margins (%):				ppt chg	ppt chg
Net Property Income	79.2	74.7	77.6	4.5	1.6
Core Net Profit	64.6	60.1	65.0	4.5	(0.4)

Source: IGB REIT, UOB Kay Hian

Analysis

- **Results in line.** IGB REIT reported 1Q26 revenue of RM261m (+25% qoq; +52% yoy) and core net profit of RM169m (+35% qoq; +52% yoy). The results accounted for 29% and 30% of our and consensus full year estimates, which we deem in line due to the typical seasonality and the expected higher tariff cost in the coming quarters. Net property income (NPI) margin rose 1.6ppt yoy to 79.2%.
- **Declared 4.00 sen dividend for 1Q26** (vs 4Q25/1Q25: 3.0 sen/3.2 sen), with a payout ratio of 97.5%. The DPU of 4 sen represents an annualised distribution yield of 5.7%.
- **Mid-single-digit rental reversion for 2026.** IGB REIT guides for positive mid-single-digit rental reversion in 2026, with that of Mid Valley Southkey Mall (MVS) expected to surpass the overall guidance as rents continue to catch up. Overall portfolio tenant sales remained positive in 1Q26, while Apr 26 performance was "not as bad as feared". Management flagged 2Q-3Q as seasonally softer quarters given the absence of major festive spending.

Key Financials

Year to 31 Dec (RMm)	2024	2025	2026F	2027F	2028F
Net turnover	626.1	687.8	959.8	995.6	1,032.7
Operating profit	455.7	516.3	708.7	736.2	764.7
Net profit (rep./act.)	579.8	643.2	580.0	611.5	641.3
Net profit (adj.)	368.7	418.2	580.0	611.5	641.3
EPU (sen)	10.2	9.7	13.4	14.0	14.6
DPU (sen)	10.7	11.8	13.8	14.4	15.0
PE (x)	27.8	29.3	21.2	20.2	19.4
P/B (x)	2.4	2.0	1.9	1.9	1.9
DPU Yld (%)	3.8	4.2	4.9	5.1	5.3
Net margin (%)	58.9	60.8	60.4	61.4	62.1
Net debt/(cash) to asset (%)	16.7	22.2	19.9	18.7	17.4
Interest cover (x)	9.1	9.3	9.7	11.0	12.0
Consensus DPU (sen)			13.0	13.7	14.0
UOBKH/Consensus (x)			1.06	1.05	1.07

Source: IGB REIT, Bloomberg, UOB Kay Hian

Stock Data

GICS sector	Real Estate
Bloomberg ticker:	IGBREIT MK
Shares issued (m):	4,325.5
Market cap (RMm):	12,241.3
Market cap (US$m):	3,097.6
3-mth avg daily t'over (US$m):	2.2

Price Performance (%)

52-week high/low: RM3.06/RM2.22

1mth	3mth	6mth	1yr	YTD
4.0	(0.7)	5.6	22.5	3.7

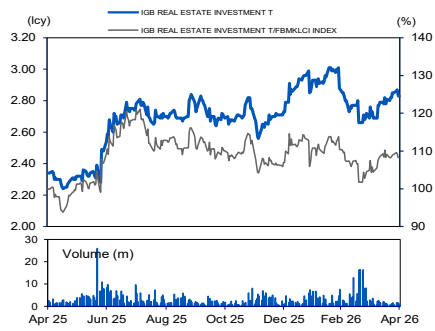
Major Shareholders

	%
IGB Corp Berhad	45.8
Employees Provident Fund	9.5
Kumpulan Wang Persaraan	5.3

Balance Sheet Metrics

FY26 NAV/Share (RM)	1.9
FY26 Net Debt/Share (RM)	0.5

Price Chart



Source: Bloomberg

Company Description

IGB REIT is a real estate investment trust. Its portfolio consists of the Mid Valley Megamall and The Gardens Mall in Malaysia.

- **Mid Valley Megamall (MVM): Stable with near full occupancy.** Mid Valley Megamall recorded 1Q26 revenue growth of 3.7% yoy, with monthly revenue at RM19.8psf (+1.7% yoy). Net property income (NPI) rose by 4.4% while NPI margin expanded to 80.4% (+0.6ppt yoy). Occupancy rate remained resilient at 99.7%. About 40.5% of leases are due for expiry this year, with major tenants such as AEON (17.0%), Golden Screen Cinemas (5.6%) and Celebrity Fitness (1.4%) expected to renew.
- **The Gardens Mall supported by luxury spending recovery.** The Gardens Mall delivered stronger 1Q26 performance, with revenue up 9.4% yoy and monthly revenue at RM17.3psf (+4.3% yoy). NPI increased 11.1% yoy, with margin expanding to 72.4% (+1.1ppt yoy). We expect this momentum to sustain, underpinned by resilient luxury demand, historically defensive against inflationary pressures and during COVID-19, alongside stable sales momentum since 4Q25. Luxury fashion contributes 8.8% of The Gardens Mall's NLA, further supporting its performance.
- **Mid Valley Southkey Mall still playing catch-up.** With a full-quarter contribution, MVS recorded revenue and NPI of RM81m and RM66m in 1Q26, accounting for around one-third of overall portfolio. Monthly revenue improved to RM15.7psf in 1Q26 (vs FY25: 14.2psf). Management expects: a) further catch up in base rents as leases are progressively renewed at higher rates, and b) lease expiry profile normalises towards a more balanced about 30% annual profile (from the current lumpy structure typical of a relatively new mall). Weekly visits from Singaporeans continue to support performance, with management not expecting a stronger ringgit against Singapore dollar to materially dampen spending.

Earnings Revision/Risk

- We make no changes to our earnings forecast. DPU forecasts for 2026-28 increased by 2-3% to 13.8 sen/14.4 sen/15.0 sen as we tweaked our payout ratio assumptions.

Valuation/Recommendation

- **Maintain HOLD with a higher target price of RM2.69.** Our target price is based on a dividend discount model (required rate of return: 7.0%, terminal growth: 1.5%), with an implied dividend yield of 5.1% for 2026. We keep our HOLD rating due to its compressed yield (4.9% for 2026F) and narrowing yield spread to MGS at 132bps (0.5SD below historical mean).

Environment, Social, Governance (ESG) Updates

Environmental

- Remains committed to exploring ways to continue to reduce energy consumption and monitor total electricity consumed monthly. Electricity consumption has been on a downtrend since 2016 (base year).

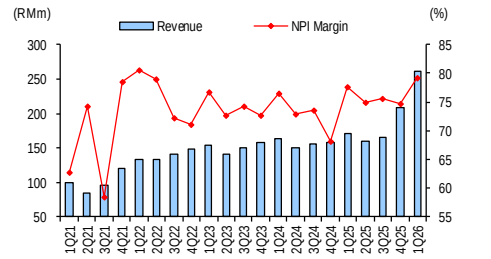
Social

- Regular cybersecurity training through e-portals as well as ad hoc social engineering tests throughout the year.

Goverance

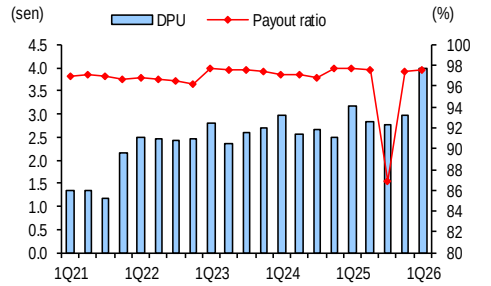
- The Board comprises four independent directors and five non-independent directors. There are four Board Committees – Audit Committee, Nomination Committee, Remuneration Committee and Sustainability Committee.

Revenue And NPI Margin



Source: IGB REIT, UOB Kay Hian

DPU And Payout Ratio



Source: IGB REIT, UOB Kay Hian

12-Month Forward Yield Spread To MGS

Source: IGB REIT, Bloomberg, UOB Kay Hian

Profit & Loss

Year to 31 Dec (RMm)	2025	2026F	2027F	2028F
Net turnover	687.8	959.8	995.6	1,032.7
EBITDA	468.5	646.4	672.5	699.6
Deprec. & amort.	0.0	0.0	0.0	0.0
EBIT	468.5	646.4	672.5	699.6
Associate contributions	0.0	0.0	0.0	0.0
Net interest income/(expense)	(50.3)	(66.3)	(61.0)	(58.3)
Pre-tax profit	643.2	580.0	611.5	641.3
Tax	0.0	0.0	0.0	0.0
Minorities	0.0	0.0	0.0	0.0
Net profit	643.2	580.0	611.5	641.3
Net profit (adj.)	418.2	580.0	611.5	641.3

Balance Sheet

Year to 31 Dec (RMm)	2025	2026F	2027F	2028F
Fixed assets	8,369.2	8,369.2	8,369.2	8,369.2
Other LT assets	2.1	5.1	8.1	11.1
Cash/ST investment	305.4	473.6	557.8	661.1
Other current assets	81.6	86.0	101.6	98.5
Total assets	8,758.2	8,933.8	9,036.7	9,139.8
ST debt	18.8	18.8	18.8	18.8
Other current liabilities	242.5	382.5	390.2	392.3
LT debt	2,228.8	2,228.8	2,228.8	2,228.8
Other LT liabilities	0.0	(51.6)	(51.6)	(53.6)
Shareholders' equity	6,268.2	6,355.4	6,450.6	6,553.6
Minority interest	0.0	0.0	0.0	0.0
Total liabilities & equity	8,758.2	8,933.8	9,036.7	9,139.8

Cash Flow

Year to 31 Dec (RMm)	2025	2026F	2027F	2028F
Operating	530.4	782.0	664.5	704.8
Pre-tax profit	418.2	580.0	611.5	641.3
Tax	0.0	0.0	0.0	0.0
Deprec. & amort.	0.0	0.0	0.0	0.0
Associates	0.0	0.0	0.0	0.0
Working capital changes	(65.1)	135.7	(8.0)	5.2
Other operating cashflows	177.4	66.3	61.0	58.3
Investing	(1,050.5)	(3.0)	(3.0)	(3.0)
Capex (growth)	(0.7)	(3.0)	(3.0)	(3.0)
Investments	0.0	0.0	0.0	0.0
Others	(1,049.8)	0.0	0.0	0.0
Financing	565.6	(554.5)	(577.3)	(598.6)
Distribution to unitholders	(408.6)	(478.5)	(501.3)	(522.6)
Issue of shares	0.0	0.0	0.0	0.0
Proceeds from borrowings	1,030.0	0.0	0.0	0.0
Loan repayment	0.0	0.0	0.0	0.0
Others/interest paid	(55.8)	(76.0)	(76.0)	(76.0)
Net cash inflow (outflow)	45.5	224.5	84.2	103.2
Beginning cash & cash equivalent	203.6	249.2	473.6	557.8
Changes due to forex impact	56.2	0.0	0.0	0.0
Ending cash & cash equivalent	305.4	473.6	557.8	661.1

Key Metrics

Year to 31 Dec (%)	2025	2026F	2027F	2028F
Profitability				
EBITDA margin	68.1	67.3	67.5	67.7
Pre-tax margin	93.5	60.4	61.4	62.1
Net margin	93.5	60.4	61.4	62.1
ROA	9.2	8.2	8.6	8.9
ROE	12.8	11.4	12.0	12.4
Growth				
Turnover	9.9	39.5	3.7	3.7
EBITDA	13.2	38.0	4.0	4.0
Pre-tax profit	13.2	38.0	4.0	4.0
Net profit	13.2	38.0	4.0	4.0
Net profit (adj.)	13.4	38.7	5.4	4.9
EPU	(5.1)	38.1	4.9	4.4
Leverage				
Debt to total capital	35.9	35.4	34.8	34.3
Debt to total asset	35.9	35.4	34.8	34.3
Net debt/(cash) to asset	22.2	19.9	18.7	17.4
Interest cover (x)	9.3	9.7	11.0	12.0

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